

MARSHALL COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2010

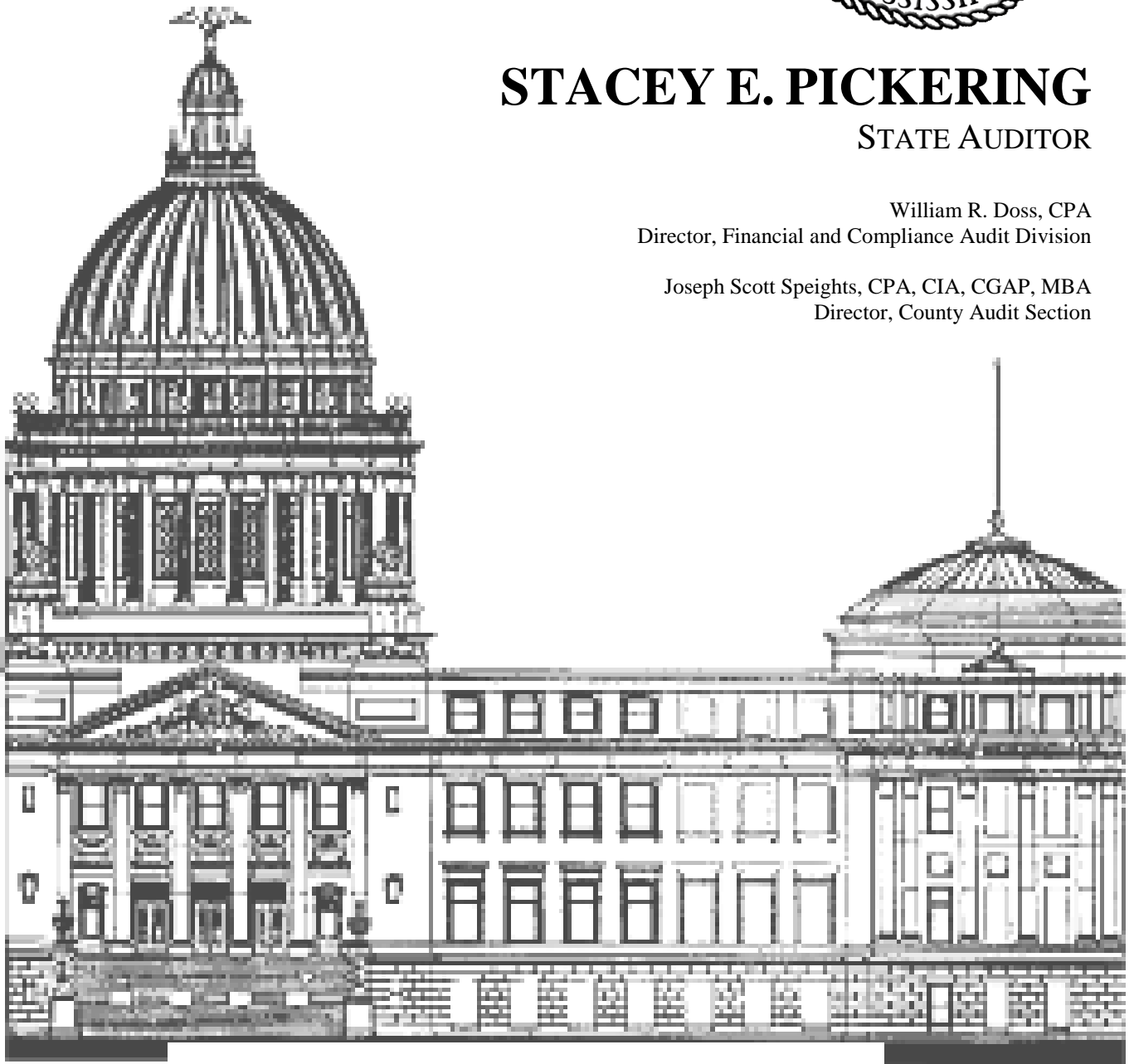


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

October 25, 2012

Members of the Board of Supervisors
Marshall County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 financial and compliance audit report for Marshall County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Marshall County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Marshall County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

MARSHALL COUNTY

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MARSHALL COUNTY

FINANCIAL SECTION

MARSHALL COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Marshall County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

The county has not recorded an asset for solid waste accounts receivable, net of allowance for uncollectible receivables, in the General Fund or the governmental activities Statement of Net Assets. Accounting principles generally accepted in the United States of America require that these accounts receivable should be recognized as soon as the underlying exchange occurs. The amount by which this departure would affect the assets, liabilities, fund balance and revenues of the General Fund and the assets, net assets and revenues of the governmental activities is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Marshall County, Mississippi, as of September 30, 2010, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of the matter discussed in the fourth paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Marshall County, Mississippi, as of September 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Road Maintenance Fund, the Marshall County Engineering Fund and the aggregate remaining fund information of Marshall County, Mississippi, as of September 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2012, on our consideration of Marshall County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Marshall County, Mississippi, has not presented Management's Discussion and Analysis, that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marshall County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Will R. Doss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

October 25, 2012

MARSHALL COUNTY

FINANCIAL STATEMENTS

MARSHALL COUNTY

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MARSHALL COUNTY
Statement of Net Assets
September 30, 2010

Exhibit 1

| | <u>Primary Government</u> <u>Governmental</u> <u>Activities</u> |
|--|---|
| ASSETS | |
| Cash | \$ 4,446,814 |
| Accrued interest receivable | 162 |
| Property tax receivable | 11,995,674 |
| Fines receivable (net of allowance for uncollectibles of \$1,051,064) | 274,739 |
| Loans receivable | 400,000 |
| Intergovernmental receivables | 587,447 |
| Other receivables | 173,624 |
| Capital assets held for resale | 253,044 |
| Capital assets: | |
| Land and construction in progress | 1,026,848 |
| Other capital assets, net | 60,577,273 |
| Total Assets | <u>79,735,625</u> |
| LIABILITIES | |
| Claims payable | 203,910 |
| Intergovernmental payables | 305,954 |
| Accrued interest payable | 22,092 |
| Deferred revenue | 11,995,674 |
| Amounts held in custody for others | 167,402 |
| Long-term liabilities | |
| Due within one year: | |
| Capital debt | 741,912 |
| Non-capital debt | 445,929 |
| Due in more than one year: | |
| Capital debt | 2,789,432 |
| Non-capital debt | 394,665 |
| Total Liabilities | <u>17,066,970</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 58,072,777 |
| Restricted: | |
| Expendable: | |
| General government | 114,943 |
| Debt service | 53,297 |
| Public safety | 180,703 |
| Public works | 2,300,689 |
| Economic development | 307,650 |
| Unrestricted | 1,638,596 |
| Total Net Assets | <u>\$ 62,668,655</u> |

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY
Statement of Activities
For the Year Ended September 30, 2010

Exhibit 2

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|--|----------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government Governmental Activities |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 5,235,613 | 957,112 | | | (4,278,501) |
| Public safety | 4,920,752 | 563,548 | 730,380 | 424,135 | (3,202,689) |
| Public works | 10,839,620 | 334,153 | 3,963,642 | 810,249 | (5,731,576) |
| Health and welfare | 810,356 | | 36,436 | | (773,920) |
| Culture and recreation | 305,660 | | 63,000 | | (242,660) |
| Education | 99,562 | | | | (99,562) |
| Conservation of natural resources | 85,009 | | | | (85,009) |
| Economic development and assistance | 439,255 | | 10,000 | | (429,255) |
| Interest on long-term debt | 142,968 | | | | (142,968) |
| Total Governmental Activities | <u>\$ 22,878,795</u> | <u>1,854,813</u> | <u>4,803,458</u> | <u>1,234,384</u> | <u>(14,986,140)</u> |
| General revenues: | | | | | |
| Property taxes | | | | | \$ 12,667,263 |
| Road & bridge privilege taxes | | | | | 446,052 |
| Grants and contributions not restricted to specific programs | | | | | 842,083 |
| Unrestricted interest income | | | | | 147,171 |
| Miscellaneous | | | | | 229,319 |
| Total General Revenues | | | | | <u>14,331,888</u> |
| Changes in Net Assets | | | | | (654,252) |
| Net Assets - Beginning | | | | | <u>63,322,907</u> |
| Net Assets - Ending | | | | | <u>\$ 62,668,655</u> |

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY
Balance Sheet - Governmental Funds
September 30, 2010

Exhibit 3

| | Major Funds | | | | |
|--|---------------|-----------------------|----------------------------------|--------------------------|--------------------------|
| | General Fund | Road Maintenance Fund | Marshall County Engineering Fund | Other Governmental Funds | Total Governmental Funds |
| ASSETS | | | | | |
| Cash | \$ 2,048,275 | 819,940 | | 1,578,599 | 4,446,814 |
| Accrued interest receivable | 162 | | | | 162 |
| Property tax receivable | 7,412,956 | 3,941,857 | | 640,861 | 11,995,674 |
| Fines receivable (net of allowance for uncollectibles of \$ 1,051,064) | 274,739 | | | | 274,739 |
| Loans receivable | | | | 400,000 | 400,000 |
| Intergovernmental receivables | 150,022 | 276,798 | | 160,627 | 587,447 |
| Other receivables | 141,970 | | | 31,654 | 173,624 |
| Due from other funds | 269,049 | 105,097 | | 9,656 | 383,802 |
| Capital assets held for resale | | | | 253,044 | 253,044 |
| Total Assets | \$ 10,297,173 | 5,143,692 | 0 | 3,074,441 | 18,515,306 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Claims payable | \$ 133,015 | 65,703 | | 5,192 | 203,910 |
| Intergovernmental payables | 305,954 | | | | 305,954 |
| Due to other funds | 114,753 | | | 269,049 | 383,802 |
| Deferred revenue | 7,687,695 | 3,941,857 | | 640,861 | 12,270,413 |
| Amounts held in custody for others | 167,402 | | | | 167,402 |
| Total Liabilities | 8,408,819 | 4,007,560 | 0 | 915,102 | 13,331,481 |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Debt service | | | | 75,389 | 75,389 |
| Loans receivable | | | | 400,000 | 400,000 |
| Capital assets held for resale | | | | 253,044 | 253,044 |
| Unreserved - undesignated, reported in: | | | | | |
| General Fund | 1,888,354 | | | | 1,888,354 |
| Special Revenue Funds | | 1,136,132 | | 1,321,530 | 2,457,662 |
| Capital Project Funds | | | | 109,376 | 109,376 |
| Total Fund Balances | 1,888,354 | 1,136,132 | 0 | 2,159,339 | 5,183,825 |
| Total Liabilities and Fund Balances | \$ 10,297,173 | 5,143,692 | 0 | 3,074,441 | 18,515,306 |

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2010

| | <u>Amount</u> |
|---|-----------------------------|
| Total Fund Balance - Governmental Funds | \$ 5,183,825 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$73,757,013. | 61,604,121 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 274,739 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (4,371,938) |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. | <u>(22,092)</u> |
| Total Net Assets - Governmental Activities | \$ <u><u>62,668,655</u></u> |

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2010

| | Major Funds | | | Other | Total |
|---|--------------|-------------|-----------------|--------------|--------------|
| | General | Road | Marshall County | Governmental | Governmental |
| | Fund | Maintenance | Engineering | Funds | Funds |
| | Fund | Fund | Fund | | |
| REVENUES | | | | | |
| Property taxes | \$ 7,965,628 | 4,062,340 | | 639,295 | 12,667,263 |
| Road and bridge privilege taxes | | 446,052 | | | 446,052 |
| Licenses, commissions and other revenue | 700,918 | 23,117 | | 9,791 | 733,826 |
| Fines and forfeitures | 303,115 | | | 98,100 | 401,215 |
| Intergovernmental revenues | 1,020,010 | 1,076,326 | 3,535,953 | 1,247,636 | 6,879,925 |
| Charges for services | 470,362 | | | 336,064 | 806,426 |
| Interest income | 73,277 | 37,103 | | 36,791 | 147,171 |
| Miscellaneous revenues | 163,969 | 39,640 | | 25,710 | 229,319 |
| Total Revenues | 10,697,279 | 5,684,578 | 3,535,953 | 2,393,387 | 22,311,197 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 4,906,766 | | | 106,715 | 5,013,481 |
| Public safety | 3,576,461 | | | 1,607,512 | 5,183,973 |
| Public works | 801,679 | 5,976,115 | 3,535,953 | 4,288 | 10,318,035 |
| Health and welfare | 806,659 | | | | 806,659 |
| Culture and recreation | 164,588 | | | 141,072 | 305,660 |
| Education | 50,000 | 49,562 | | | 99,562 |
| Conservation of natural resources | 85,009 | | | | 85,009 |
| Economic development and assistance | 264,975 | | | 174,280 | 439,255 |
| Debt service: | | | | | |
| Principal | 133,611 | 423,449 | | 653,513 | 1,210,573 |
| Interest | 31,038 | 25,107 | | 92,805 | 148,950 |
| Total Expenditures | 10,820,786 | 6,474,233 | 3,535,953 | 2,780,185 | 23,611,157 |
| Excess of Revenues over (under) Expenditures | (123,507) | (789,655) | 0 | (386,798) | (1,299,960) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-term capital debt issued | 25,384 | 71,635 | | | 97,019 |
| Transfers in | 53,280 | | | 232,681 | 285,961 |
| Transfers out | (232,681) | | | (53,280) | (285,961) |
| Total Other Financing Sources and Uses | (154,017) | 71,635 | 0 | 179,401 | 97,019 |
| Net Changes in Fund Balances | (277,524) | (718,020) | 0 | (207,397) | (1,202,941) |
| Fund Balances - Beginning | 2,165,878 | 1,854,152 | 0 | 2,366,736 | 6,386,766 |
| Fund Balances - Ending | \$ 1,888,354 | 1,136,132 | 0 | 2,159,339 | 5,183,825 |

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2010

| | <u>Amount</u> |
|---|----------------------------|
| Net Changes in Fund Balances - Governmental Funds | \$ (1,202,941) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$1,841,294 exceeded capital outlays of \$1,398,198 in the current period. | (443,096) |
| In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$49,246. | (49,246) |
| Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting. | (86,654) |
| Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,210,573 exceeded debt proceeds of \$97,019. | 1,113,554 |
| Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items: | |
| The amount of decrease in compensated absences liability | 8,149 |
| The amount of decrease in accrued interest payable | <u>5,982</u> |
| Change in Net Assets of Governmental Activities | \$ <u><u>(654,252)</u></u> |

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2010

Exhibit 5

| | Agency Funds |
|------------------------------------|------------------|
| ASSETS | |
| Cash | \$ 83,505 |
| Other receivables | 9,640 |
| Total Assets | \$ <u>93,145</u> |
| LIABILITIES | |
| Amounts held in custody for others | \$ 19,888 |
| Intergovernmental payables | 73,257 |
| Total Liabilities | \$ <u>93,145</u> |

The notes to the financial statements are an integral part of this statement.

MARSHALL COUNTY

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MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Marshall County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Marshall County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Marshall County Industrial Development Authority
- Marshall County Library
- Marshall County Museum

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor
- Tax Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Marshall County Engineering Fund – This fund is used to account for monies from specific revenues that are restricted for road construction and improvement.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

| | Capitalization Thresholds | Estimated Useful Life |
|--------------------------------------|------------------------------|--------------------------|
| Land | \$ 0 | N/A |
| Infrastructure | 0 | 20-50 years |
| Buildings | 50,000 | 40 years |
| Improvements other than buildings | 25,000 | 20 years |
| Mobile equipment | 5,000 | 5-10 years |
| Furniture and equipment | 5,000 | 3-7 years |
| Leased property under capital leases | * | * |

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$4,530,319 and the bank balance was \$5,808,275. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

| Receivable Fund | Payable Fund | Amount |
|--------------------------|--------------------------|-------------------|
| General | Other Governmental Funds | \$ 269,049 |
| Road Maintenance Fund | General Fund | 105,097 |
| Other Governmental Funds | General Fund | 9,656 |
| Total | | \$ <u>383,802</u> |

The amounts payable to the General Fund from the other governmental funds represents expenditures for federal grants, which will be repaid when funds have been reimbursed by the granting agency. The remainder of the receivables represents the tax revenue collected but not settled until October, 2010. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

| Transfer In | Transfer Out | Amount |
|--------------------------|--------------------------|-------------------|
| General Fund | Other Governmental Funds | \$ 53,280 |
| Other Governmental Funds | General Fund | 232,681 |
| Total | | \$ <u>285,961</u> |

The purposes of interfund transfers were to cover operating expenses and grants matching requirements, to transfer one mill levy taxes and to cover a cash shortage in the law library fund. All interfund transfers were routine and consistent with activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

| Description | Amount |
|---------------------------------------|-------------------|
| Governmental Activities: | |
| Legislative tax credit | \$ 99,004 |
| Chancery clerk fees | 9,165 |
| Communications grant | 97,622 |
| Court training and improvements grant | 15,488 |
| MEMA reimbursement | 276,716 |
| Recovery act grant | 45,565 |
| Reimbursement for food stamps | 4,733 |
| Reimbursement for housing prisoners | 24,479 |
| Violence against women grant | 1,702 |
| Other | 12,973 |
| Total Governmental Activities | \$ <u>587,447</u> |

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(5) Loans Receivable.

Loans receivable balances at September 30, 2010, are as follows:

| Description | Date of Loan | Interest Rate | Maturity Date | Receivable Balance |
|--------------------------|-----------------|------------------|------------------|-----------------------|
| Thomas & Betts MBIA Loan | 12/1995 | 0 | 12/2010 | \$ <u>400,000</u> |

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

Governmental activities:

| | Balance Oct. 1, 2009 | Additions | Deletions | Adjustments* | Balance Sept. 30, 2010 |
|---|-------------------------|--------------------|----------------|--------------------|---------------------------|
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 681,339 | | | | 681,339 |
| Construction in progress | 757,078 | 810,249 | | (1,221,818) | 345,509 |
| Total non-depreciable capital assets | <u>1,438,417</u> | <u>810,249</u> | <u>0</u> | <u>(1,221,818)</u> | <u>1,026,848</u> |
| <u>Depreciable capital assets:</u> | | | | | |
| Infrastructure | 114,550,529 | 12,600 | | 1,221,818 | 115,784,947 |
| Buildings | 8,604,242 | | | | 8,604,242 |
| Mobile equipment | 5,698,248 | 307,999 | 151,156 | 293,697 | 6,148,788 |
| Furniture and equipment | 822,165 | 170,331 | 156,565 | | 835,931 |
| Leased property under capital leases | 3,157,056 | 97,019 | | (293,697) | 2,960,378 |
| Total depreciable capital assets | <u>132,832,240</u> | <u>587,949</u> | <u>307,721</u> | <u>1,221,818</u> | <u>134,334,286</u> |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Infrastructure | 63,238,436 | 1,029,284 | | | 64,267,720 |
| Buildings | 2,951,234 | 145,189 | | | 3,096,423 |
| Mobile equipment | 4,241,233 | 308,834 | 114,626 | 154,339 | 4,589,780 |
| Furniture and equipment | 645,767 | 66,827 | 143,849 | | 568,745 |
| Leased property under capital leases | 1,097,524 | 291,160 | | (154,339) | 1,234,345 |
| Total accumulated depreciation | <u>72,174,194</u> | <u>1,841,294</u> | <u>258,475</u> | <u>0</u> | <u>73,757,013</u> |
| Total depreciable capital assets, net | <u>60,658,046</u> | <u>(1,253,345)</u> | <u>49,246</u> | <u>1,221,818</u> | <u>60,577,273</u> |
| Governmental activities capital assets, net | \$ <u>62,096,463</u> | <u>(443,096)</u> | <u>49,246</u> | <u>0</u> | <u>61,604,121</u> |

* The adjustments to capital assets are to move completed construction in progress to their respective classifications and to move capital leases that have been paid to mobile equipment.

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Depreciation expense was charged to the following functions:

| | Amount |
|--|--------------|
| Governmental Activities: | |
| General government | \$ 200,197 |
| Public safety | 198,141 |
| Public works | 1,439,259 |
| Health and welfare | 3,697 |
| | <hr/> |
| Total governmental activities depreciation expense | \$ 1,841,294 |
| | <hr/> |

Commitments with respect to unfinished capital projects at September 30, 2010, consisted of the following:

| Description of Commitment | Remaining Financial Commitment | Expected Date of Completion |
|---------------------------|-----------------------------------|--------------------------------|
| APL-0047(32)B | \$ 314,042 | November 2012 |

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

| Classes of Property | Governmental Activities |
|--------------------------------------|----------------------------|
| Building | \$ 760,000 |
| Mobile and equipment | 2,073,387 |
| Furniture and equipment | 126,991 |
| | <hr/> |
| Total | 2,960,378 |
| Less: Accumulated depreciation | (1,234,345) |
| | <hr/> |
| Leased Property Under Capital Leases | \$ 1,726,033 |
| | <hr/> |

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

The following is a schedule by years of the total payments due as of September 30, 2010:

| Year Ending September 30 | Governmental Activities | |
|--------------------------|-------------------------|----------|
| | Principal | Interest |
| 2011 | \$ 481,912 | 55,048 |
| 2012 | 410,342 | 37,914 |
| 2013 | 102,106 | 23,651 |
| 2014 | 42,121 | 20,715 |
| 2015 | 43,344 | 18,751 |
| 2016 – 2020 | 249,619 | 60,861 |
| 2021 – 2025 | 136,900 | 9,011 |
| Total | \$ 1,466,344 | 225,951 |

(9) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

| Description and Purpose | Amount Outstanding | Interest Rate | Final Maturity Date |
|-------------------------------------|--------------------|---------------|---------------------|
| Governmental Activities: | | | |
| A. General Obligation Bonds: | | | |
| Thomas & Betts, Series 1995 | \$ 400,000 | 0.00% | 12/2010 |
| Justice Complex, Series 2006 | 2,065,000 | 3.75-4.05% | 09/2017 |
| Total General Obligation Bonds | \$ 2,465,000 | | |
| B. Capital Leases: | | | |
| Trailboss trailers | \$ 6,165 | 3.75% | 01/2011 |
| 2 Caterpillar backhoe loaders | 13,936 | 3.75% | 01/2011 |
| Computer system upgrade | 11,575 | 3.99% | 02/2011 |
| 2008 Ford Crown Victoria | 3,750 | 3.29% | 03/2011 |
| 2 2008 Ford F-150 trucks | 8,397 | 3.28% | 03/2011 |
| 2008 Ford Expedition | 5,815 | 3.53% | 06/2011 |
| 3 2007 Mack tractor trailers | 108,635 | 4.14% | 02/2012 |
| 6 2007 Mack dump trucks | 251,483 | 4.14% | 02/2012 |
| 4 JD tractors and booms | 123,313 | 4.14% | 04/2012 |
| Tax Collector building | 30,147 | 5.50% | 07/2012 |
| 2009 Ford Crown Victoria | 16,307 | 3.20% | 08/2012 |
| 2007 Caterpillar 924 wheel loader | 56,295 | 3.15% | 01/2013 |
| 2 Caterpillar motor graders | 220,675 | 3.28% | 03/2013 |
| 2010 Ford Crown Victoria | 25,384 | 3.15% | 10/2013 |
| Miller building | 291,738 | 5.25% | 03/2022 |
| Buford building | 292,729 | 3.94% | 01/2024 |
| Total Capital Leases | \$ 1,466,344 | | |
| C. Other Loans: | | | |
| MS Development Authority - CAP loan | \$ 250,138 | 3.00% | 12/2017 |

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

| Year Ending September 30 | General Obligation Bonds | | Other Loans | |
|--------------------------|--------------------------|----------|-------------|----------|
| | Principal | Interest | Principal | Interest |
| 2011 | \$ 660,000 | 80,914 | 45,929 | 6,693 |
| 2012 | 270,000 | 71,164 | 47,325 | 5,297 |
| 2013 | 285,000 | 60,769 | 48,765 | 3,857 |
| 2014 | 290,000 | 49,725 | 50,248 | 2,374 |
| 2015 | 305,000 | 38,415 | 51,777 | 845 |
| 2016 – 2020 | 655,000 | 39,934 | 6,094 | 401 |
| Total | \$ 2,465,000 | 340,921 | 250,138 | 19,467 |

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2010, the amount of outstanding debt was equal to .98% of the latest property assessments.

Commitments

On October 6, 2008, the Marshall County Board of Supervisors entered into an agreement with the City of Holly Springs relating to the financing for the construction of infrastructure for The Holly Springs Commons. The county's share is limited to 50% of the revenues of the tax increment financing or 50% of the bond payment, whichever is less. The principal balance remaining on these bonds is \$208,000 at September 30, 2010. Amounts due in the next fiscal year for principal and interest are \$19,000 and \$9,230, respectively.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

| | Balance Oct. 1, 2009 | Additions | Reductions | Adjustments | Balance Sept. 30, 2010 | Amount due within one year |
|--------------------------|-------------------------|-----------|------------|-------------|---------------------------|----------------------------------|
| Governmental Activities: | | | | | | |
| Compensated absences | \$ 198,605 | | 8,149 | | 190,456 | |
| General obligation bonds | 3,110,000 | | 645,000 | | 2,465,000 | 660,000 |
| Capital leases | 1,915,964 | 97,019 | 546,639 | | 1,466,344 | 481,912 |
| Other loans | 269,072 | | 18,934 | | 250,138 | 45,929 |
| Total | \$ 5,493,641 | 97,019 | 1,218,722 | 0 | 4,371,938 | 1,187,841 |

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Countywide Road Maintenance Fund, Special Levy Reappraisal Fund, Domestic Violence Grant Fund, Marshall County Drug Control Fund, Emergency 911 Fund, Volunteer Fire Department Fund, and COPS Grant Fund.

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(10) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2010:

| Fund | | Deficit Amount |
|--|----|----------------|
| Communications Grant | \$ | 24,405 |
| Community Heritage Preservation Grant Fund | | 86,398 |

(11) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(12) Joint Venture.

The county participates in the following joint venture:

Marshall County is a participant with the city of Holly Springs in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Marshall County-Holly Springs Airport Authority. The joint venture was created to provide a governing authority for the airport facilities in Marshall County and is governed by a five-member board of commissioners. The board of commissioners is appointed as follows: Marshall County, two; City of Holly Springs, two; joint, one. The county appropriated \$10,000 for the joint venture in fiscal year 2010.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Communicare operates in a district composed of the Counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate and Yalobusha. The Marshall County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$49,966 for Communicare in fiscal year 2010.

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Marshall County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$645,197 for maintenance and support of the college in fiscal year 2010.

Northeast Mississippi Planning and Development District is composed of the Counties of Alcorn, Benton, Marshall, Prentiss, Tippah and Tishomingo. The Marshall County of Supervisors appoints four of the 24 members of the board of directors. The county appropriated \$23,000 for support of the district in fiscal year 2010.

MARSHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(14) Defined Benefit Pension Plan.

Plan Description. Marshall County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2010, 2009 and 2008 were \$765,369, \$766,689 and \$735,822, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2010, Marshall County issued the following debt obligations:

| Issue Date | Interest Rate | | Issue Amount | Type of Financing | Source of Financing |
|------------|---------------|----|--------------|-------------------|---------------------|
| 01/18/2011 | 3.08% | \$ | 30,422 | Capital Lease | Ad valorem |
| 02/01/2011 | 4.25% | | 60,100 | Other loan | Ad valorem |
| 02/09/2011 | 3.08% | | 30,408 | Capital Lease | Ad valorem |
| 09/23/2011 | 3.02% | | 24,500 | Capital Lease | Ad valorem |
| 12/12/2011 | 3.25% | | 360,000 | Capital Lease | Ad valorem |
| 01/11/2012 | 4.625% | | 63,701 | Other Loan | Ad valorem |
| 03/12/2012 | 2.04% | | 160,337 | Capital Lease | Ad valorem |
| 05/07/2012 | 1.87% | | 55,841 | Capital Lease | Ad valorem |
| 05/07/2012 | 1.87% | | 203,833 | Capital Lease | Ad valorem |
| 10/08/2012 | 1.68% | | 25,900 | Capital Lease | Ad valorem |

MARSHALL COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MARSHALL COUNTY

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MARSHALL COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2010

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|-----------------------|--------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 8,099,368 | 8,146,193 | 7,989,063 | (157,130) |
| Licenses, commissions and other revenue | 559,900 | 684,967 | 699,283 | 14,316 |
| Fines and forfeitures | 245,000 | 315,026 | 302,357 | (12,669) |
| Intergovernmental revenues | 993,000 | 1,160,972 | 1,373,639 | 212,667 |
| Charges for services | 330,000 | 414,152 | 374,343 | (39,809) |
| Interest income | 61,000 | 62,366 | 67,653 | 5,287 |
| Miscellaneous revenues | 113,000 | 196,120 | 223,566 | 27,446 |
| Total Revenues | <u>10,401,268</u> | <u>10,979,796</u> | <u>11,029,904</u> | <u>50,108</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 5,545,891 | 5,607,023 | 5,033,769 | 573,254 |
| Public safety | 3,750,529 | 3,750,529 | 3,546,675 | 203,854 |
| Public works | 770,975 | 805,812 | 805,812 | |
| Health and welfare | 982,763 | 982,764 | 806,522 | 176,242 |
| Culture and recreation | 164,500 | 165,099 | 165,099 | |
| Education | 50,000 | 383,268 | 383,268 | |
| Conservation of natural resources | 98,821 | 98,821 | 85,159 | 13,662 |
| Economic development and assistance | 243,050 | 270,975 | 264,975 | 6,000 |
| Debt service: | | | | |
| Principal | 259,443 | 259,443 | 160,437 | 99,006 |
| Total Expenditures | <u>11,865,972</u> | <u>12,323,734</u> | <u>11,251,716</u> | <u>1,072,018</u> |
| Excess of Revenues over (under) Expenditures | <u>(1,464,704)</u> | <u>(1,343,938)</u> | <u>(221,812)</u> | <u>1,122,126</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 175,000 | 268,536 | 253,280 | (15,256) |
| Transfers out | (591,228) | (641,228) | (432,681) | 208,547 |
| Total Other Financing Sources and Uses | <u>(416,228)</u> | <u>(372,692)</u> | <u>(179,401)</u> | <u>193,291</u> |
| Net Change in Fund Balance | (1,880,932) | (1,716,630) | (401,213) | 1,315,417 |
| Fund Balances - Beginning | <u>(124,733)</u> | <u>1,445,960</u> | <u>2,052,050</u> | <u>606,090</u> |
| Fund Balances - Ending | <u>\$ (2,005,665)</u> | <u>(270,670)</u> | <u>1,650,837</u> | <u>1,921,507</u> |

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

MARSHALL COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Road Maintenance Fund
 For the Year Ended September 30, 2010

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|---------------------|--------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 4,139,695 | 4,139,695 | 4,057,218 | (82,477) |
| Road and bridge privilege taxes | 400,000 | 400,000 | 443,102 | 43,102 |
| Licenses, commissions and other revenue | 7,500 | 7,500 | 23,117 | 15,617 |
| Intergovernmental revenues | 805,000 | 805,000 | 925,890 | 120,890 |
| Interest income | 20,000 | 20,000 | 37,103 | 17,103 |
| Miscellaneous revenues | 37,500 | 37,500 | 39,640 | 2,140 |
| Total Revenues | <u>5,409,695</u> | <u>5,409,695</u> | <u>5,526,070</u> | <u>116,375</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | 5,800,139 | 6,214,030 | 5,906,301 | 307,729 |
| Education | | 118,300 | 118,300 | |
| Principal | 450,000 | 450,000 | 448,556 | 1,444 |
| Total Expenditures | <u>6,250,139</u> | <u>6,782,330</u> | <u>6,473,157</u> | <u>309,173</u> |
| Excess of Revenues over (under) Expenditures | <u>(840,444)</u> | <u>(1,372,635)</u> | <u>(947,087)</u> | <u>425,548</u> |
| Net Change in Fund Balance | (840,444) | (1,372,635) | (947,087) | 425,548 |
| Fund Balances - Beginning | <u>228,567</u> | <u>1,771,752</u> | <u>1,740,127</u> | <u>(31,625)</u> |
| Fund Balances - Ending | <u>\$ (611,877)</u> | <u>399,117</u> | <u>793,040</u> | <u>393,923</u> |

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

MARSHALL COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Marshall County Engineering Fund
 For the Year Ended September 30, 2010

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|--------------------------------|---|
| REVENUES | | | | |
| Intergovernmental revenues | \$ 200,000 | 200,000 | 188,842 | (11,158) |
| Total Revenues | <u>200,000</u> | <u>200,000</u> | <u>188,842</u> | <u>(11,158)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | 200,000 | 200,000 | 188,842 | 11,158 |
| Total Expenditures | <u>200,000</u> | <u>200,000</u> | <u>188,842</u> | <u>11,158</u> |
| Excess of Revenues over (under) Expenditures | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Change in Fund Balance | 0 | 0 | 0 | 0 |
| Fund Balances - Beginning | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Fund Balances - Ending | \$ <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

MARSHALL COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2010

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor and Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

| | <u>Governmental Fund Types</u> | | |
|--|--------------------------------|----------------------------------|---|
| | <u>General Fund</u> | <u>Road Maintenance Fund</u> | <u>Marshall County Engineering Fund</u> |
| Budget (Cash Basis) | \$ (401,213) | (947,087) | 0 |
| Increase (Decrease) | | | |
| Net adjustments for revenue accruals | 26,028 | 298,881 | |
| Net adjustments for expenditure accruals | <u>97,661</u> | <u>(69,814)</u> | |
| GAAP Basis | <u>\$ (277,524)</u> | <u>(718,020)</u> | <u>0</u> |

MARSHALL COUNTY

SUPPLEMENTAL INFORMATION

MARSHALL COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

| Federal Grantor/ Pass-through Grantor/ Program Title or Cluster | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|--|---------------------------|--|----------------------------|
| U. S. Department of Agriculture - Forest Service/ Passed-through the Mississippi Office of the State Treasurer Schools and roads - grants to states | 10.665 | N/A | \$ <u>99,125</u> |
| U. S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program and non-entitlement grants in Hawaii | 14.228 14.239 | 1124-07-047-PL-01 1219-M07-SG-280- | 2,288 <u>169,080</u> |
| Total U. S. Department of Housing and Urban Development | | | <u>171,368</u> |
| U. S. Department of Justice/ Passed-through the Mississippi Department of Public Safety/ Violence Against Women Act Court Training and Improvement Grants* | 16.013 | 2007-WF-AX-0028 | 30,715 |
| ARRA - Violence Against Women Formula Grants* | 16.588 | 2009-EF-S6-0003 | 58,794 |
| Enforcing Underage Drinking Laws Program* | 16.727 | 2008-CK-WX-0884 | 197,115 |
| Edward Byrne Memorial Justice Assistance Grant Program (Direct Award)* | 16.738 | 2009-DJ-BX-0430 | 24,990 |
| ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) program/grants to units of local government (Direct Award)* | 16.804 | 2009-SB-B9-3001 | 104,408 |
| ARRA - Assistance to Rural Law Enforcement Combat Crime and Drugs Competitive Grant Program (Direct Award)* | 16.810 | 2009-SD-B9-0134 | <u>231,574</u> |
| Total U. S. Department of Justice | | | <u>647,596</u> |
| U. S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction | 20.205 | N/A | <u>32,400</u> |
| U. S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency/ Disaster grants - public assistance (presidentially declared disasters) | 97.036 | FEMA-1916-DR-MS | 179,041 |
| Interoperable emergency communications | 97.055 | 07PS313 | <u>97,622</u> |
| Total U. S. Department of Homeland Security | | | <u>276,663</u> |
| Total Expenditures of Federal Awards | | | \$ <u><u>1,227,152</u></u> |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

* Denotes major federal award program

MARSHALL COUNTY

SPECIAL REPORTS

MARSHALL COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Marshall County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated October 25, 2012. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the General Fund and governmental activities because the county did not record an asset or current year revenues for the solid waste accounts receivable, net of uncollectible accounts receivable, as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marshall County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-1, 10-2, 10-3, 10-4 and 10-5 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 10-6 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 10-4.

We also noted certain immaterial instances of noncompliance which we have reported to the management of Marshall County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated October 25, 2012, included within this document.

Marshall County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Marshall County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

October 25, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
Marshall County, Mississippi

Compliance

We have audited the compliance of Marshall County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. Marshall County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marshall County, Mississippi's management. Our responsibility is to express an opinion on Marshall County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshall County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marshall County, Mississippi's compliance with those requirements.

In our opinion, Marshall County, Mississippi, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010

Internal Control Over Compliance


The management of Marshall County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Marshall County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A deficiency in a county's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 10-7, 10-8 and 10-9. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Marshall County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Marshall County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

October 25, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Marshall County, Mississippi

We have examined Marshall County, Mississippi's compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972), and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972), during the year ended September 30, 2010. The Board of Supervisors of Marshall County, Mississippi is responsible for the county's compliance with those requirements. Our responsibility is to express an opinion on the county's compliance based on our examination.

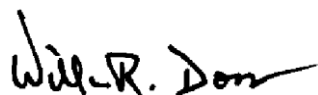
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the county's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the county's compliance with specified requirements. The Board of Supervisors of Marshall County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Marshall County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2010.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Marshall County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

October 25, 2012

MARSHALL COUNTY

Schedule 1Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2010

| <u>Date</u> | <u>Item Purchased</u> | <u>Bid Accepted</u> | <u>Vendor</u> | <u>Lowest Bid</u> | <u>Reason for Accepting Other Than the Lowest Bid</u> |
|-------------|---------------------------|-------------------------|--------------------|-----------------------|---|
| 11/9/2009 | Used front-end loader | \$ 71,635 | Thompson Equipment | \$ 71,500 | Age and condition of the equipment. |

MARSHALL COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2010

Schedule 2

Our test results did not identify any emergency purchases.

MARSHALL COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2010

Our test results did not identify any purchases made noncompetitively from a sole source.

MARSHALL COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Marshall County, Mississippi

In planning and performing our audit of the financial statements of Marshall County, Mississippi for the year ended September 30, 2010, we considered Marshall County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Marshall County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 25, 2012, on the financial statements of Marshall County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the board minutes to be a complete and correct record of all proceedings of the Board of Supervisors. As reported in the prior year's audit report, interfund transfers and loans were made without board orders spread upon the minutes. Failure to have proper authority for transfers or loans spread upon the board minutes could result in illegal transfers or loans.

Recommendation

The Board of Supervisors should spread on its minutes orders relative to transfers or loans.

Board of Supervisors' Response

The Board of Supervisors will spread on its minutes orders relative to transfers or loans.

2. Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued on funds which did not have sufficient money to pay the warrants. As reported in the prior year's audit report, at various times during the year, the following funds had negative cash balances:

- (a) General Fund
- (b) Domestic Violence Grant Fund
- (c) Marshall County Drug Control Fund
- (d) Interoperable Communications Fund
- (e) Sheriff Technology Grant Fund
- (f) Car Grant Fund
- (g) Recovery Grant (ARRA) Fund
- (h) Emergency 911 Fund
- (i) Fairgrounds Fund
- (j) Law Library Fund
- (k) Solid Waste Authority Fund
- (l) Marshall County Inmate Canteen Fund
- (m) Judicial Clearing Fund
- (n) Payroll Clearing Fund
- (o) Northwest Community College Fund

Failure to have sufficient cash balances in county funds prior to writing checks on these funds results in other funds' cash being used for purposes other than their intended purpose.

Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisors' Response

The Board of Supervisors will ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same as required by law.

Circuit Clerk.

3. Finding

Section 9-1-43(1) Miss. Code Ann, 1972, states that all fees that are received by the office of the Circuit Clerk, that are in excess of the salary limitation shall be deposited by such clerk into the county General Fund on or before April 15 for the preceding calendar year. For calendar year 2010, the Circuit Clerk did not settle the money received in excess of the cap in the amount of \$69,803 until August 31, 2011. Failure to settle excess cap monies owed to the General Fund by April 15th results in an unauthorized loan of county funds.

Recommendation

The Circuit Clerk should settle all amounts over the salary cap to the General Fund by April 15th each year as required by statute.

Circuit Clerk's Response

Late completing income tax. I will comply.

Sheriff.

4. Finding

Section 19-2-9, Miss. Code Ann (1972), requires that any elected county officials who are authorized by law to employ shall adopt and maintain a system of personnel administration for their respective employees or shall adopt the system of personnel administration adopted by the Board of Supervisors. The personnel system adopted and any amendments thereto shall be filed with the Board of Supervisors. As reported in the prior year's audit report, the Sheriff's Department was specifically excluded from the county's personnel policy and no other personnel policy was adopted. The failure to adopt a personnel policy has resulted in Marshall County not being in compliance with state law in terms of countywide personnel administration.

Recommendation

The Sheriff should ensure that there is a personnel policy in place or that his office is properly covered in the county's personnel policy.

Sheriff's Response

The finding has been corrected. I will comply according to law.

Marshall County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

October 25, 2012

MARSHALL COUNTY

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MARSHALL COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARSHALL COUNTY

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MARSHALL COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

| | |
|--|-------------|
| Governmental activities | Qualified |
| Aggregate discretely presented component units | Adverse |
| General Fund | Qualified |
| Road Maintenance Fund | Unqualified |
| Marshall County Engineering Fund | Unqualified |
| Aggregate remaining fund information | Unqualified |
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiency identified? Yes
3. Noncompliance material to the financial statements noted? Yes

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness identified? No
 - b. Significant deficiencies identified? Yes
5. Type of auditor's report issued on compliance for major federal programs: Unqualified
6. Any audit findings disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? Yes
7. Federal programs identified as major programs:
 - a. Violence against women act court training and improvement grants, CFDA #16.013.
 - b. ARRA-Violence against women formula grants, CFDA #16.588
 - c. Enforcing underage drinking laws program, CFDA #16.727
 - d. Edward Byrne memorial justice assistance grant program, CFDA #16.738
 - e. ARRA - Edward Byrne memorial justice assistance grant (JAG) program/grants to units of local government, CFDA #16.804
 - f. ARRA - Assistance to rural law enforcement to combat crime and drugs competitive grant program, CFDA #16.810

MARSHALL COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

Federal Awards:

- | | | |
|-----|--|-----------|
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section___315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 10-1. Component units should be included in the financial statements.

Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior two year's audit reports, the financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the audited financial data for its discretely presented component units for inclusion in the county's financial statements.

Board of Supervisors' Response

See attached Corrective Action Plan.

Material Weakness

- 10-2. Internal controls over financial statement preparation should be strengthened.

Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include all required disclosures in the notes to the financial statements and inclusion of all assets of the county. As reported in the prior year's audit report, we noted the following deficiencies in the financial statement preparation and reporting:

- a. Disclosures required by generally accepted accounting principles for commitments for tax increment financing were not presented in the notes to the financial statements. Generally accepted accounting principles require the notes to the financial statements to include a brief description of the tax increment financing and the county's share of the commitment. Failure to present all note disclosures required by generally accepted accounting principles resulted in incomplete notes to the financial statements. A note disclosure containing the required information was proposed to management and included in the notes to the financial statements with management's approval.

MARSHALL COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

- b. Accounting principles generally accepted in the United States of America require that accounts receivable be recognized as soon as the underlying exchange occurs. The county has not recorded an asset for solid waste accounts receivable, net of an allowance for uncollectible receivables, in the General Fund or the governmental activities Statement of Net Assets. The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the General Fund and governmental activities.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes presentation of the required note disclosures and inclusion of all assets of the county.

Board of Supervisors' Response

See attached Corrective Action Plan.

Material Weakness

- 10-3. Controls should be implemented over billings and payments for garbage collection service.

Finding

An effective system of internal controls over the payment for garbage collection service should require sufficient documentation of accounts billed to the county by the garbage collection service provider and oversight of payments received and credited for the garbage collection service. As reported in the prior year's audit report, based upon audit procedures performed, the county did not have adequate controls in place to ensure that:

- a. The number of customers billed for solid waste collections is reconciled to the number of cans the county is being billed for by the garbage collection service provider. Analytical tests indicated there was an average of 2,857 cans billed to the county each month that were not being billed per the customer billing report provided by the garbage collection service provider. These billings to the county for cans that are not being billed to customers by the garbage collection service provider resulted in the county paying an additional \$358,292 in garbage costs during the 2010 fiscal year.
- b. The monies collected by the county on behalf of the garbage collection service provider are posted to the individual customer accounts by the garbage collection service provider. There is no system in place to verify that the monies collected by the county are properly credited to the customer accounts.
- c. Additions and deletions to the solid waste customer billing listing are identified individually and reviewed by the county for validity. The county is only notified of the total number of additions and deletions.
- d. The solid waste customer billing listing is reviewed by the county for inactive accounts billed to the county. We noted no evidence that county personnel reviewed the customer billing list to determine if the county was being billed for inactive accounts.
- e. Amounts reported as being collected by the garbage collection service provider and listed on the invoice to the county in computing the county's garbage collection expense are reconciled to the amounts collected per the billing and collection report of the garbage collection service provider. Audit procedures revealed discrepancies between the billing and collections report and the amounts reported as collected per the invoice to the county in the amount of \$35,384 resulting in the county paying an additional \$35,384 to the garbage collection service provider.

MARSHALL COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

Due to lack of oversight by the county of the solid waste expenditures, the results of our audit procedures indicate the county has overpaid for garbage collection services during the 2010 fiscal year.

Recommendation

The county should implement controls over the payments for garbage collection service to ensure that:

- a. The number of customers billed for solid waste services is reconciled to the number of cans the county is being billed for on a monthly basis.
- b. The solid waste customer billing and collection report is reviewed on a monthly basis to ensure monies collected by the county are properly posted to the individual customer accounts.
- c. Additions and deletions to the solid waste customer billing listing are reviewed monthly by county personnel for validity.
- d. The solid waste customer billing listing is reviewed monthly by county personnel for inactive accounts.
- e. Amounts reported as being collected by the garbage collection service provider and listed on the invoice to the county in computing the county's garbage collection expense are reconciled to the amounts collected per the billing and collection report of the garbage collection service provider.

Board of Supervisors' Response

See attached Corrective Action Plan.

Material Weakness

Material Noncompliance

- 10-4. Adequate documentation should be obtained from healthcare provider for indigent care.

Finding

During our audit of Marshall County, we noted that the county had entered into a contractual/lease agreement in a prior year to make subsidy payments to a healthcare provider in relation to the operations of a hospital facility in the county.

The contractual agreement with the healthcare provider stipulated that Marshall County would pay subsidy payments not to exceed \$200,000 annually to the healthcare provider, provided that the healthcare provider furnished the county with satisfactory proof of payment, expenditure or provision documenting the actual amount of indigent care services provided in Marshall County as defined in the agreement. The agreement limited the annual subsidy payments from the county to such an amount as shall have been actually paid, expended or provided by the healthcare provider for indigent care services in Marshall County not to exceed \$200,000.

As reported in the prior year's audit report, audit procedures revealed the county paid the healthcare provider \$200,000 without obtaining any supporting documentation substantiating that the healthcare provider had actually paid, expended or provided this amount of indigent care services in Marshall County.

An effective system of internal control over the payment of expenditures for indigent care services should require supporting documentation for the expenditures.

MARSHALL COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

Failure to obtain supporting documentation could result in the county paying for services for people who are not indigent or making a donation to the healthcare provider for services that were not actually provided.

Recommendation

The Board of Supervisors should ensure that adequate documentation is obtained from the healthcare provider documenting proof of payment, expenditure or provision of indigent care services in Marshall County prior to making any payments to the healthcare provider for indigent care.

Board of Supervisors' Response

See attached Corrective Action Plan.

Justice Court Clerk.

Material Weakness

- 10-5. Separation of duties in the Justice Court Clerk's office should be strengthened.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior year's audit report, cash collection and disbursement functions in the Justice Court offices were not adequately separated for effective internal control. The Justice Court Clerk has access to collections, prepares and makes bank deposits, prepares daily check-up sheets, reconciles the bank statements, posts the cash journal, makes monthly settlements and writes checks for all disbursements. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Board of Supervisors should take steps to ensure that there is an adequate segregation of duties in the collection and disbursement functions of the Justice Court offices or that there is external oversight over the operations of the Justice Court offices.

Justice Court Clerk's Response

See attached Corrective Action Plan.

County Administrator.

Significant Deficiency

- 10-6. Separation of duties in the Solid Waste office should be strengthened.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior year's audit report, cash collection and disbursement functions in the Solid Waste office were not adequately separated for effective internal control. The Solid Waste Clerk has the authority to collect cash, prepare the settlement, prepare daily checkup sheets/payment report, and reconcile delinquency reports in order to flag car tags. Failure to have an adequate separation of duties could result in the loss of public funds.

MARSHALL COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

Recommendation

The County Administrator should take steps to ensure that there is an adequate segregation of duties in the collection and disbursement functions of the Solid Waste office or that there is external oversight over the operations of the Solid Waste office.

County Administrator's Response

See attached Corrective Action Plan.

Section 3: Federal Award Findings and Questioned Costs

Board of Supervisors.

Significant Deficiency

10-7. Controls over identifying physical inventory purchased with federal money should be strengthened.

16.738 Edward Byrne Memorial Justice Assistance Grant Program
Grant number: 2009-DJ-BX-0430, U. S. Department of Justice

16.804 ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to
Units of Local Government, Grant Number: 2009-SB-B9-3001, U. S. Department of
Justice

16.810 ARRA - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive
Grant Program, Grant Number: 2009-SD-B9-0134, U. S. Department of Justice

Compliance Requirement: Equipment and Real Property Management

Finding

The Office of Justice Programs Financial Guide and the *OMB Circular A-133 Compliance Supplement*, Part 3, Section F, Equipment and Real Property compliance requirement, requires equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. During our audit procedures, we noted no identification of equipment purchased with federal funds and a physical inventory of equipment purchased with federal funds was not conducted every two years. Failure to properly track and inventory property purchased with federal funds could result in the loss of county property and result in the county reimbursing the federal government for this loss as well as the county being found in noncompliance with the Equipment and Real Property Management compliance requirements.

Recommendation

The Marshall County Board of Supervisors should take steps to ensure that controls are in place to ensure that equipment purchased with federal funds are identified and a physical inventory of equipment purchased with federal funds is conducted at least once every two years.

Board of Supervisors' Response

See attached Corrective Action Plan.

MARSHALL COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

Significant Deficiency

- 10-8. Controls should be established to ensure that the required suspension and debarment certifications have been received for covered contracts.

- | | |
|--------|--|
| 16.727 | Enforcing Underage Drinking Laws Program Grant number: 2008-CK-WX-0884, U.S. Department of Justice/ Passed-through the Mississippi Department of Public Safety |
| 16.804 | ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government Grant number: 2009-SB-B9-3001, U.S. Department of Justice |
| 16.810 | ARRA – Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program Grant number: 2009-SD-B9-0134, U.S. Department of Justice |

Compliance Requirement: Procurement, Suspension, and Debarment

Finding

The *OMB Circular A-133 Compliance Supplement*, Part 3, Section I, Procurement and Suspension, and Debarment compliance requirements, requires an entity to verify vendors and contractors are not suspended or debarred from doing business. During our audit procedures, we noted no controls in place to ensure that a vendor or contractor was not suspended or debarred from doing business with the federal government by determining if the entity was listed on the General Services Administration's Excluded Parties List System (EPLS). Failure to implement controls to verify a vendor's status with the Excluded Parties List System could result with the county doing business with a disqualified vendor and a loss of federal funds to the county.

Recommendation

The Marshall County Board of Supervisors should take steps to ensure that controls are in place to verify vendors are not listed on the General Services Administration's Excluded Parties List System (EPLS) prior to conducting business with such vendors on federal projects.

Board of Supervisors' Response

See attached Corrective Action Plan.

MARSHALL COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Significant Deficiency

- 10-9. The County should establish controls to ensure that Recovery Act (ARRA) funds are not comingled with other funds.

16.804 ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/
Grants to Units of Local Government, Grant number: 2009-SB-B9-3001,
U.S. Department of Justice

Compliance Requirement: Special Tests and Provisions – Separate Tracking and Reporting of Recovery Act Funds and Outcomes

Finding

The Marshall County Project Agreement with the U. S. Department of Justice – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government Special Condition #17 requires that the county comply with the special requirements over separated tracking and reporting of recovery act funds and outcomes. This special requirement requires that the county must ensure that funds from this Recovery Act award are not comingled with funds from any other source. During our audit procedures, we noted no controls were in place to ensure that Marshall County complied with this provision. The county comingled funds from this Recovery Act grant with funds from other sources. The lack of internal controls and procedures could result in the county being unable to track and report funds separately and in a clear, accurate and timely manner.

Recommendation

The Marshall County Board of Supervisors should take steps to ensure that controls are in place to ensure that Recovery Acts awards are not comingled with funds from other funding sources.

Board of Supervisors' Response

See attached Corrective Action Plan.

MARSHALL COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

MARSHALL COUNTY

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Marshall County Board of Supervisors

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Byhalia, MS 38611
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LARRY HALL
County Administrator
P. O. Box 219
Holly Springs, MS 38635
(662) 252-7903

CORRECTIVE ACTION PLAN

FYE September 30, 2010

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Gentlemen:

Marshall County Board of Supervisors respectfully submits the following corrective action plan for the year ended September 30, 2010.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results. does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

10-1. Corrective Action Planned:

The Board of Supervisors will seek to provide the audited financial data for its discretely presented component units for inclusion in the county's financial statements if sufficient funds are available.

Anticipated Completion Date: September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Ronnie J. Bennett, President
Board of Supervisors

10-2. Corrective Action Planned:

The Board of Supervisors has implemented a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes presentation of the required note disclosures.

Anticipated Completion Date: Currently completed

Name of Contact Person Responsible for Corrective Action:

Ronnie J. Bennett, President
Board of Supervisors

10-3. Corrective Action Planned:

The county employed a Solid Waste Officer to review monies collected by the county and insure proper posting to individual customer accounts. Additionally, the Solid Waste Officer reviewed additions and deletions to the solid waste customer billing on a monthly basis.

The county has changed vendors for collection of garbage through the bid process, and no longer pays for uncollected fees owed by citizens. Therefore, the number of customers billed and monies collected and posted to individual accounts is no longer the responsibility of the county, but is strictly between the vendor and the individual citizen.

The Board of Supervisors is currently in litigation with the previous vendor.

Anticipated Completion Date: December, 2012

Name of Person Responsible for Corrective Action:

Ronnie J. Bennett, President
Board of Supervisors

10-4. Corrective Action Planned:

The Board of Supervisors will strive to insure that adequate documentation is obtained from the healthcare provider documenting proof of payment, expenditure or provision on indigent care services in Marshall County prior to making any payments to the healthcare provider for indigent care.

Anticipated Completion Date: Currently completed

Name of Person Responsible for Corrective Action:

Ronnie J. Bennett, President
Board of Supervisors

10-5. Corrective Action Planned:

The Board of Supervisors has taken steps to insure that there is an adequate segregation of duties in the collection and disbursement functions of the Justice Court offices or that there is external oversight over the operations of the Justice Court offices.

Anticipated Completion Date: Currently completed

Name of Person Responsible for Corrective Action:

Ronnie J. Bennett, President
Board of Supervisors

10-6. Corrective Action Planned:

The County Administrator has taken steps to insure that there is an adequate segregation of duties in the collection functions of the Solid Waste office.

Anticipated Completion Date:

Currently completed

Name of Person Responsible for Corrective Action:

Ronnie J. Bennett, President
Board of Supervisors

SECTION 3: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Controls over identifying physical inventory purchased with federal money

10-7. Corrective Action Planned:

The Marshall County Board of Supervisors will take steps to insure that equipment purchased with federal funds is identified and a physical inventory of equipment purchased with federal funds is conducted at least once every two years.

Anticipated Completion Date:

September 30, 2012

Name of Person Responsible for Corrective Action:

Ronnie J. Bennett, President
Board of Supervisors

10-8. Corrective Action Planned:

The Marshall County Board of Supervisors will take steps to insure that controls are in place to verify vendors not listed on the General Services Administration's Excluded Parties List System (EPLS) prior to conducting business with such vendors on federal projects.

Anticipated Completion Date:

Currently completed

Name of Person Responsible for Corrective Action:

Ronnie J. Bennett, President
Board of Supervisors

10-9. Corrective Action Planned:

The Marshall County Board of Supervisors will take steps to insure that controls are in place to determine that Recovery Acts awards are not comingled with funds from other funding sources.

Anticipated Completion Date: Currently completed

Name of Person Responsible for Corrective Action:

Ronnie J. Bennett, President
Board of Supervisors



Sincerely,

Ronnie J. Bennett, President
Marshall County Board of Supervisors
662-544-1117